

The District Municipality of Muskoka
Consolidated Financial Statements
For the year ended December 31, 2022

**The District Municipality of Muskoka
Consolidated Financial Statements
For the year ended December 31, 2022**

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The District Municipality of Muskoka
70 Pine Street
Bracebridge, Ontario
P1L 1N3

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of The District Municipality of Muskoka (the "District") are the responsibility of the District's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of The Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described on pages 9 - 12 of the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The District's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by Management.

Council meets with Management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by BDO Canada LLP, independent external auditors appointed by the District. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the District's consolidated financial statements.



Director of Finance



Commissioner Finance & Corporate Services

August 18, 2023

Independent Auditor's Report

To the Members of Council, Residents and Ratepayers of The District Municipality of Muskoka

Opinion

We have audited the consolidated financial statements of The District Municipality of Muskoka and its entities (the District), which comprise the consolidated statement of financial position as at December 31, 2022, the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the District as at December 31, 2022, and its consolidated results of operations, its consolidated change in net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the District in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the District's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the District's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the District's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the District to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the District to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

North Bay, Ontario
August 22, 2023

**The District Municipality of Muskoka
Consolidated Statement of Financial Position**

December 31	2022	2021
Financial assets		
Cash and cash equivalents (Note 1)	\$ 106,326,651	\$ 74,454,896
Investments (Note 2)	148,349,619	140,641,531
Trade and other receivables	19,839,763	20,662,067
Long-term receivables (Notes 3 and 6)	50,822,331	29,158,776
Inventory for resale	183,114	72,789
	<u>325,521,478</u>	<u>264,990,059</u>
Liabilities		
Accounts payable and accrued liabilities	42,418,640	33,172,200
Employee future benefits payable (Note 4)	1,704,652	1,455,816
Deferred revenue - obligatory reserves (Note 1)	32,687,866	23,195,363
Deferred revenue - other (Note 1)	3,092,155	2,752,288
Landfill closure and post-closure costs (Note 5)	15,629,524	12,321,343
Municipal debt (Note 6)	84,872,137	66,918,467
Mortgages payable (Note 7)	1,883,837	2,298,159
	<u>182,288,811</u>	<u>142,113,636</u>
Net financial assets	<u>143,232,667</u>	<u>122,876,423</u>
Non-financial assets		
Prepaid expenses	2,213,919	1,488,554
Inventories of supplies	900,764	960,076
Tangible capital assets (Note 8)	551,658,779	549,345,155
	<u>554,773,462</u>	<u>551,793,785</u>
Accumulated surplus (Note 9)	<u>\$ 698,006,129</u>	<u>\$ 674,670,208</u>

Contingencies (Note 12)

The District Municipality of Muskoka Consolidated Statement of Operations and Accumulated Surplus

For the year ended December 31	Budget 2022 (Note 10)	Actual 2022	Actual 2021
Revenue			
Requisition on area municipalities	\$ 112,435,948	\$ 112,522,573	\$ 108,630,091
User charges	36,492,386	38,307,547	35,718,045
Government transfers	43,705,303	51,339,018	42,503,381
Investment income	2,749,496	4,818,346	7,307,876
Federal tax (Note 1)	2,000,800	433,758	1,894,021
Provincial gas tax (Note 1)	41,255	42,698	31,542
Ontario Community Infrastructure Fund (Note 1)	2,980,000	742,187	708,831
Development charges (Note 1)	3,684,920	4,500,490	6,409,692
Provincial Offences Act (Note 11)	1,228,863	899,265	950,425
Other	13,007	10,301,254	10,595,421
Gain (loss) on disposal of tangible capital assets	-	(79,305)	(22,908)
	<u>205,331,978</u>	<u>223,827,831</u>	<u>214,726,417</u>
Expenses (Note 16)			
General government	10,462,860	10,395,797	10,088,206
Protection to persons and property	17,109,451	16,899,096	16,887,290
Transportation services	28,227,120	37,035,035	31,150,282
Environmental services	54,844,962	52,029,615	53,301,413
Health services	15,600,175	16,482,150	15,708,027
Social and family services	47,076,642	51,867,861	40,517,989
Social housing	7,902,376	7,444,247	6,604,846
Planning and development	2,473,883	5,029,928	2,716,083
Change in landfill closure liability	(610,914)	3,308,181	(1,912,431)
	<u>183,086,555</u>	<u>200,491,910</u>	<u>175,061,705</u>
Annual surplus	22,245,423	23,335,921	39,664,712
Accumulated surplus, beginning of year	<u>674,670,208</u>	<u>674,670,208</u>	<u>635,005,496</u>
Accumulated surplus, end of year	<u>\$ 696,915,631</u>	<u>\$ 698,006,129</u>	<u>\$ 674,670,208</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

**The District Municipality of Muskoka
Consolidated Statement of Changes in Net Financial Assets**

For the year ended December 31	Budget 2022 (Note 10)	Actual 2022	Actual 2021
Annual surplus	\$ 22,245,423	\$23,335,921	\$ 39,664,712
Acquisition of tangible capital assets	(51,446,670)	(33,990,168)	(42,513,770)
Contributed tangible capital assets	-	(1,499,652)	(4,953,797)
Amortization of tangible capital assets	33,802,748	32,543,494	31,837,351
Loss (gain) on disposal of tangible capital assets	-	79,305	22,909
Proceeds on disposal of tangible capital assets	-	71,774	116,805
Write off of construction in progress	-	481,623	410,007
	<u>4,601,501</u>	<u>21,022,297</u>	<u>24,584,217</u>
Change in supplies inventory	-	59,312	(68,002)
Change in prepaid expenses	-	(725,365)	(237,079)
	<u>-</u>	<u>(666,053)</u>	<u>(305,081)</u>
Increase in net financial assets	4,601,501	20,356,244	24,279,136
Net financial assets, beginning of year	122,876,423	122,876,423	98,597,287
Net financial assets, end of year	\$ 127,477,924	\$143,232,667	\$ 122,876,423

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

The District Municipality of Muskoka Consolidated Statement of Cash Flows

For the year ended December 31	2022	2021
Operating transactions		
Annual surplus	\$ 23,335,921	\$ 39,664,712
Non-cash items:		
Amortization of tangible capital assets	32,543,494	31,837,351
Loss (gain) on disposal of tangible capital assets	79,305	22,909
Contributed tangible capital assets	(1,499,652)	(4,953,797)
Write off of construction in progress	481,623	410,007
Landfill closure and post-closure costs	3,308,181	(1,912,431)
	<u>58,248,872</u>	<u>65,068,751</u>
Changes in non-cash assets and liabilities		
Trade and other receivables	822,304	(7,868,590)
Inventories for resale	(110,325)	42,353
Accounts payable and accrued liabilities	9,246,440	(2,053,797)
Pensions and other employee benefits	248,836	684,971
Deferred revenue	9,832,370	4,850,614
Inventories of supplies	59,312	(68,002)
Prepaid expenses	(725,365)	(237,079)
	<u>77,622,444</u>	<u>60,419,221</u>
Capital transactions		
Proceeds on disposal of tangible capital assets	71,774	116,805
Acquisition of tangible capital assets	(33,990,168)	(42,513,770)
	<u>(33,918,394)</u>	<u>(42,396,965)</u>
Investing transactions		
Purchase of Investments	(7,708,088)	(7,601,351)
Financing transactions		
Repayments of mortgages payable	(414,322)	(561,212)
Repayments of municipal debt (net of long-term receivable repayments)	(3,709,885)	(9,170,479)
	<u>(4,124,207)</u>	<u>(9,731,691)</u>
Increase in cash and cash equivalents	31,871,755	689,214
Cash and cash equivalents, beginning of year	<u>74,454,896</u>	<u>73,765,682</u>
Cash and cash equivalents, end of year	\$106,326,651	\$ 74,454,896

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

The District Municipality of Muskoka Summary of Significant Accounting Policies

December 31, 2022

Management's Responsibility for the Financial Statements

The consolidated financial statements of The District Municipality of Muskoka ("District") are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards. The District Municipality of Muskoka is an upper-tier municipality in the province of Ontario.

Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenue, expenditures and surplus of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their financial affairs and resources to the District and which are owned or controlled by the District.

The financial information relating to The Pines Long Term Care Residence Program and the Muskoka Municipal Non-Profit Housing Corporation are included in these consolidated financial statements.

Basis of Accounting

The consolidated financial statements have been prepared using Canadian public sector accounting standards.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank balances and temporary investments having a maturity of less than three months from date of acquisition and are held for the purpose of meeting short-term cash commitments.

Inventory for Resale

Inventory for resale consists of fuel inventory at the Muskoka Airport and is recognized as a financial asset as it is held for resale. It is measured and recorded at the lower of cost and net realizable value. Cost includes all acquisition costs incurred in bringing the inventory to its present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

Deferred Revenue

Revenue restricted by legislation, regulation or agreement and not available for general municipal purposes is reported as deferred revenue on the consolidated statement of financial position. The revenue is reported on the consolidated statement of operations in the year in which it is used for the specified purpose.

The District Municipality of Muskoka Summary of Significant Accounting Policies

December 31, 2022

Post Retirement Benefits

The District is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. The District has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles.

Non-financial Assets

Non-financial assets are used to provide the District's services in future periods. These assets do not normally provide resources to discharge the liabilities of the District unless they are sold. The District's non-financial assets include tangible capital assets, inventories held for consumption or use and prepaid expenses.

Inventory

Inventories of supplies held for consumption are recorded at the lower of cost and net realizable value.

Use of Estimates

The preparation of consolidated financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions that the District may undertake in the future. The principal estimates used in the preparation of these consolidated financial statements relate to the determination of the valuation allowance for accounts receivables, the landfill closure and post-closure costs, employee future benefits, the allowance for tax revenue reductions and the estimated useful life of tangible capital assets. Actual results could differ from management's best estimates as additional information becomes available in the future.

The District Municipality of Muskoka Summary of Significant Accounting Policies

December 31, 2022

Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue.

Amortization, excluding land and landfill capacity, is recorded on a straight-line basis over the estimated life of the tangible capital asset. Land is considered to have an infinite life without amortization, landfill capacity is amortized based on the annual rate of consumption. Residual values of assets are assumed to be zero and any revenues arising from the disposal of assets are recognized in the consolidated statement of operations. Amortization is based on six months for the year of acquisition regardless of the month acquired and annual thereafter. Assets under construction are not amortized until the asset is in service.

According to the accounting rules of the Ministry of Municipal Affairs and Housing, non-profit housing land and the original building are capitalized and amortization is based on mortgage principal payments or 30 years straight line. Any improvements are expensed in the year rather than being amortized over their estimated useful lives. Amortization is based on the following classifications and useful lives:

Classification	Useful Life (Years)
Site improvements	10 to 25 years
Structures	20 to 50 years
Leasehold improvements	term of lease
Equipment	3 to 20 years
Fleet	4 to 20 years
Roads	15 to 50 years
Airport	10 to 20 years
Locks	10 to 40 years
Water	10 to 50 years
Wastewater	10 to 50 years
Lagoons	10 to 20 years
Non-profit housing land and building	principal debt payment or 30 years straight line

The District Municipality of Muskoka Summary of Significant Accounting Policies

December 31, 2022

Revenue Recognition

The District recognizes taxation revenue (requisition on area municipalities) on an annual basis using total assessment values for the year and annually established tax rates as imposed by municipalities within the District. Property assessment values are provided by the Municipal Property Assessment Corporation and tax rates are established and approved by members of Council. The issuance of supplementary assessment rolls, which provide updated information with respect to changes in property assessment. Supplementary assessment roll is received, the District determines the taxes applicable and renders the supplementary tax billings.

Government transfers are recognized as revenue in the year in which events that give rise to the transfer occur, providing that the transfers are authorized, any eligibility criteria have been met, and the amounts can be reasonably estimated. Transfers consist of grants and subsidies received for various operating and capital programs. Deferred grant revenue arises when grants received are conditional upon eligible expenses being incurred and where amounts received in advance have not been fully expended on eligible expenses. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

User charges and other revenue are recognized as revenue when the services are provided and there is reasonable assurance of collection.

Provincial offences act fine revenue is recorded as funds are received, due to the uncertainty of collections and measurement of the receivables.

Reserve and Reserve Funds

The District follows the practice of allocating surpluses into reserves and reserve funds that are retained for general and specific purposes. These reserve and reserve funds make up a portion of the accumulated surplus as disclosed in Note 9 of these consolidated financial statements.

These reserves and reserve funds are established by Council resolution or by-law and are available for future operating and capital purposes. Amounts are only expended in accordance with the terms and policies established by Council. Expenses in respect of operating items for which reserves and reserve funds have been created are reported on the consolidated statement of operations.

The District Municipality of Muskoka Notes to Consolidated Financial Statements

December 31, 2022

1. Deferred Revenue

The balance of deferred revenue reported on the consolidated statement of financial position is made up of the following:

	2022	2021
Deferred revenue - obligatory reserve funds		
Development Charges Act	\$ 11,284,870	\$ 9,025,193
Federal Gas Tax	9,181,115	7,531,817
Ontario Gas Tax	214,350	162,734
Ontario Community Infrastructure Fund (OCIF)	12,007,531	6,475,619
	\$ 32,687,866	\$ 23,195,363
Deferred revenue - other		
Community services and health services	\$ 2,590,857	\$ 2,096,026
Social housing	9,273	9,273
Public works	59,598	59,598
Planning	41,573	426,748
Other	390,854	160,643
	3,092,155	2,752,288
Total deferred revenue	\$ 35,780,021	\$ 25,947,651

The net change during the year in the deferred revenue - obligatory reserve fund balances is made up as follows:

	Development Charges Act	Federal & Ontario Gas Tax	OCIF	Total
Deferred revenue - obligatory reserve funds, beginning of year	\$ 9,025,193	\$ 7,694,551	6,475,619	23,195,363
Funds received during the year	6,527,398	2,004,838	6,001,856	14,534,092
Interest earned	232,770	172,532	272,242	677,544
Funds used during the year	(4,500,490)	(476,456)	(742,187)	(5,719,133)
Deferred revenue - obligatory reserve funds, end of year	\$11,284,871	\$ 9,395,465	\$12,007,530	\$32,687,866

The District Municipality of Muskoka Notes to Consolidated Financial Statements

December 31, 2022

1. Deferred Revenue (continued)

The above funds held as deferred revenue are restricted in their use by their respective legislation.

The interest earned is included as investment income on the consolidated statement of operations. The Development Charges Act, Federal and Provincial Gas Tax and OCIF funds used during the year of \$4,500,490, \$476,456 and \$742,187 are included in revenues.

Included in Cash and Cash equivalents at year end is \$35,780,021 (2021 - \$25,947,650) relating to these funds.

2. Investments

	2022	2021
GIC's and short-term notes	\$ 1,424,304	\$ 1,133,304
Bonds	71,965,655	63,901,869
Equities	69,393,227	49,904,387
Debentures and other (i)	5,566,433	25,701,971
	\$148,349,619	\$ 140,641,531

Investments are stated at cost, with investment duration ranging from 1 month to 5 or more years and yields ranging from 0.084% to 2.5%. The market value at December 31, 2022 is \$143,058,093 (2021 - \$147,557,981).

(i) Included in Debentures and other is \$2,013,919 (2021 - \$2,360,107) of the District's own Debentures (issued by the District Municipality of Muskoka) with a face value of \$1,943,000 (2021 - \$2,268,000).

3. Long-Term Receivables

	2022	2021
Debt for which other municipalities and municipal enterprises have assumed responsibility at terms equal to those described in Note 6	\$ 50,822,331	\$ 29,158,776

All of the above receivables related to municipal debt obtained by the District.

**The District Municipality of Muskoka
Notes to Consolidated Financial Statements**

December 31, 2022

4. Employee Future Benefits Payable

Workplace Safety and Insurance Board

The District self-insures its employees under schedule 2 of the WSIB. The District employees at the Pines Long Term Care facility are insured under schedule 1 of the WSIB.

Within the Workers Compensation & Employee Self-Insured Benefits reserve in Note 9, the District has set aside funds of \$6,027,734 (2021 - \$5,722,832) to fund future liabilities.

The liability reported in the consolidated statement of financial position is the result of a 2020 actuarial update that estimated potential liabilities of the District under the provisions of the Workplace Safety and Insurance Act.

Actuarial assumptions adopted in the valuation include an average discount rate of 2.75% and Consumer Price index of 1.75%.

The results of the actuarial valuation are as follows:

	2022	2021
WSIB Liability		
Accrued benefit obligation at January 1	\$ 1,455,816	\$ 770,845
Add:		
Benefit/service cost	423,681	846,645
Interest	42,867	36,087
Less: expected benefit payments	(217,712)	(197,761)
Expected accrued benefit obligation at December 31	\$ 1,704,652	\$ 1,455,816

The District Municipality of Muskoka Notes to Consolidated Financial Statements

December 31, 2022

5. Landfill Closure and Post-Closure Liability

Solid waste landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final cover and landscaping of the landfills, management of ground water and leachates, and ongoing environmental monitoring, site inspection and maintenance.

The liability for the landfill site is recorded at \$15,629,524 (2021 - \$12,321,343) which represents the present value of closure and post-closure costs using an estimated long-term borrowing rate of 4% (2021 - 4%) and inflation rate of 2% (2021 - 2%). The liability is recorded based on the remaining capacity of active sites, the estimated costs of final closure at closed sites and estimated monitoring costs for a period of 25 years. The total estimated future expenditures, representing the sum of the discounted future cash flows for closure and post-closure care, are \$18,013,258 leaving an amount to be recognized of \$2,383,734.

The District is in the process of assessing all sites closed prior to the District's assumption of waste management powers within Muskoka. When individual sites are identified for remedial work, a capital project is created and the cost is included in the closure and post-closure liability.

The District Municipality of Muskoka Notes to Consolidated Financial Statements

December 31, 2022

6. Municipal Debt

The balance of municipal debt reported on the consolidated statement of financial position is made up of the following:

	2022	2021
Total municipal debt incurred on behalf of the District, other municipalities and municipal enterprises outstanding at year end	\$84,872,137	\$ 66,918,467
Less: debt for which other municipalities and municipal enterprises have assumed responsibility for at same terms as the related debt	(50,822,331)	(29,158,776)
	\$34,049,806	\$ 37,759,691

The above municipal debt matures between November 2023 and June 2052 and bears interest between 1.8% and 6.017% per annum with semi-annual payments between \$53,070 and \$739,292.

Municipal debt payments for the next five years and thereafter are due as follows:

2023	\$	3,840,095
2024		3,713,640
2025		2,858,760
2026		2,465,287
2027		4,349,544
Thereafter		16,822,480
	\$	34,049,806

The municipal debt issued in the name of the District has received approval of the Ontario Municipal Board on or before December 31, 1992. Issues after that date have received appropriate approvals from Council. The annual principal and interest payments required to service these liabilities of the District are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

Interest expense on the municipal debt amounted to \$1,747,976 (2021 - \$2,058,285).

**The District Municipality of Muskoka
Notes to Consolidated Financial Statements**

December 31, 2022

7. Mortgages Payable

The balance of mortgages payable reported on the consolidated statement of financial position is made up of the following:

	2022	2021
Gravenhurst - Lofty Pines, payable \$14,739 monthly including interest at 1.86%, renewal date of Monday, April 1, 2024 which will have a balance of \$844,066 remaining to be paid.	\$ 1,056,244	\$ 1,211,981
Huntsville - Sabrina Park, payable \$17,099 monthly including interest at 2.45%, maturity date of March 1, 2027.	827,593	1,010,600
Bracebridge - 1 Cambrian Court, payable \$8,480 monthly including interest at 2.370%, maturity date of September 1, 2022.	-	75,578
	\$ 1,883,837	\$ 2,298,159

The mortgages payable represent the amount owing on the properties owned by the Muskoka Municipal Non-Profit Housing Corporation. All mortgages are secured by a first mortgage on the land and building they relate to. It is assumed the mortgage will have the same terms upon renewal for the purposes of calculating future mortgage payments.

Mortgage payments for the next five years are due as follows:

2023	\$ 345,739
2024	1,089,305
2025	196,431
2026	201,273
2027	51,089
	\$ 1,883,837

The District Municipality of Muskoka
Notes to Consolidated Financial Statements

December 31, 2022

8. Tangible Capital Assets

For the year ended December 31	Cost, beginning of year	Additions	Disposals	Cost, end of year	Accumulated amortization, beginning of year	Additions	Disposals	Accumulated amortization end of year	Net carrying amount
General Capital Assets									
Land	\$ 5,387,516	\$ -	\$ -	\$ 5,387,516	\$ -	\$ -	\$ -	\$ -	\$ 5,387,516
Site improvements	47,249,310	332,658	(25,000)	47,556,968	40,205,841	1,264,287	(25,000)	41,445,128	6,111,840
Structures	41,291,889	469,884	-	41,761,773	14,062,655	1,032,529	-	15,095,184	26,666,589
Leasehold improvements	618,081	-	-	618,081	241,521	50,208	-	291,729	326,352
Equipment	28,885,924	4,843,929	(231,852)	33,498,001	18,063,329	1,870,845	(212,751)	19,721,423	13,776,578
Fleet	10,402,656	1,145,079	(320,836)	11,226,899	6,034,279	963,777	(320,847)	6,677,209	4,549,690
	133,835,376	6,791,550	(577,688)	140,049,238	78,607,625	5,181,646	(558,598)	83,230,673	56,818,565
Infrastructure Assets									
Roads	346,983,033	16,548,127	(568,102)	362,963,058	196,938,902	12,614,792	(568,102)	208,985,592	153,977,466
Airport	28,126,170	285,458	(155,288)	28,256,340	14,105,274	591,889	(104,823)	14,592,340	13,664,000
Locks	6,567,272	121,663	(82,128)	6,606,807	1,851,675	172,033	(82,128)	1,941,580	4,665,227
Water	243,334,481	3,241,795	(550,129)	246,026,147	114,823,200	5,612,827	(468,620)	119,967,407	126,058,740
Wastewater	317,351,621	3,765,344	(378,164)	320,738,801	157,975,019	7,572,096	(378,164)	165,168,951	155,569,850
Lagoons	7,690,656	-	-	7,690,656	5,767,034	225,711	-	5,992,745	1,697,911
	950,053,233	23,962,387	(1,733,811)	972,281,809	491,461,104	26,789,348	(1,601,837)	516,648,615	455,633,194
Construction in progress									
	31,462,870	16,469,736	(12,964,897)	34,967,709	-	-	-	-	34,967,709
Long Term Care									
	4,499,736	359,789	-	4,859,525	4,110,099	94,042	-	4,204,141	655,384

The District Municipality of Muskoka
Notes to Consolidated Financial Statements

December 31, 2022

8. Tangible Capital Assets (continued)

For the year ended December 31	Cost, beginning of year	Additions	Disposals	Cost, end of year	Accumulated amortization, beginning of year	Additions	Disposals	Accumulated amortization, end of year	Net carrying amount
Non-profit housing land and buildings									
Gravenhurst									
- Lofty Pines	2,960,077	-	-	2,960,077	2,960,077	-	-	2,960,077	-
Gravenhurst									
- The Ridge	3,811,805	-	-	3,811,805	2,599,825	155,736	-	2,755,561	1,056,244
Huntsville	3,766,569	-	-	3,766,569	2,755,970	183,008	-	2,938,978	827,591
Bracebridge - 100									
Oakwood Heights	1,113,496	-	-	1,113,496	1,113,496	-	-	1,113,496	-
Bracebridge - 200									
Oakwood Heights	1,291,648	-	-	1,291,648	1,291,648	-	-	1,291,648	-
Bracebridge									
- 1 Cambrian Court	3,074,031	-	-	3,074,031	1,234,205	139,734	-	1,373,939	1,700,092
	<u>16,017,626</u>	<u>-</u>	<u>-</u>	<u>16,017,626</u>	<u>11,955,221</u>	<u>478,478</u>	<u>-</u>	<u>12,433,699</u>	<u>3,583,927</u>
For the year ended December 31, 2022	\$ 1,135,868,841	\$ 47,583,462	\$ (15,276,396)	\$ 1,168,175,907	\$ 586,134,049	\$ 32,543,514	\$ (2,160,435)	\$ 616,517,128	\$ 551,658,779
For the year ended December 31, 2021	\$ 1,087,873,717	\$ 68,136,499	\$ (24,641,111)	\$ 1,131,369,105	\$ 553,609,057	\$ 31,837,351	\$ (3,422,458)	\$ 582,023,950	\$ 549,345,155

The net book value of tangible capital assets not being amortized because they are under construction is \$34,967,709 (2021 - \$31,462,870).

There were contributed capital assets of \$1,499,652 (2021 - \$4,953,797). Contributed capital assets are recorded at fair value. No capital assets are recognized at nominal value in the consolidated financial statements.

The District owns various works of art created by local artists which are displayed at various District owned facilities. The works of art are held for exhibition, educational and historical interest. Such assets are deemed worthy of preservation because of the social rather than financial benefits they provide to the community. The cost of art is not determinable or relevant to their significance. No valuation of the collection has been conducted or disclosed in the consolidated financial statements.

The District Municipality of Muskoka
Notes to Consolidated Financial Statements

December 31, 2022

9. Accumulated Surplus

The District segregates its accumulated surplus in the following categories:

	2022	2021
Reserves set aside by Council		
Working fund	\$ 2,130,133	\$ 2,251,214
Tax stabilization	2,466,820	3,478,767
General government	4,141,757	3,863,963
	8,738,710	9,593,944
Reserve funds set aside by Council		
Workers compensation and employee self-insured benefits	8,548,761	8,269,500
General government	45,441,362	41,166,309
Roads	33,719,296	33,111,767
Sewer	44,294,269	35,347,397
Water	14,388,195	12,722,831
Waste disposal	15,185,744	11,394,895
Health services	5,162,370	4,484,852
Social and family services	5,114,657	5,013,260
Social housing	4,714,856	4,392,282
Planning and development	716,215	683,387
Airport, locks, active transportation	4,903,109	4,431,141
Affordable housing	5,229,435	4,369,519
Muskoka services investment	587,421	664,563
Other housing	3,120,871	2,836,257
	191,126,561	168,887,960
Total reserves and reserve funds	199,865,271	178,481,904
Endowment funds	28,116	\$ -
Surpluses:		
Investment in tangible capital assets	551,658,779	549,345,155
Unfinanced tangible capital assets	-	(440,860)
Loan from tax stabilization reserve	-	1,007,599
Surplus adjustment from other housing	111,419	111,419
Amalgamation of Huntsville District Nursing Home Inc.	(389,637)	-
Unfunded:		
Landfill closure and post-closure liabilities	(15,629,524)	(12,321,343)
WSIB obligation	(1,704,652)	(1,455,816)
Municipal debt (net of long-term municipal receivables)	(34,049,806)	(37,759,691)
Mortgages payable	(1,883,837)	(2,298,159)
	498,112,742	496,188,304
Accumulated surplus	\$698,006,129	\$ 674,670,208

The District Municipality of Muskoka Notes to Consolidated Financial Statements

December 31, 2022

10. Budget

The Rate Support Budget was adopted by Council on February 21, 2023 and confirming by-law 2023-08 was passed on the same date. The Tax Support Budget was adopted by Council on March 20, 2023 and confirming by-law 2023-18 was passed on the same date. The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. Council has reviewed and approved the 2022 Report on Excluded Expenses as required by Ontario Regulation 284/09 which expressly permits municipalities to exclude amortization expense from the budget. The budget approved by council includes budgeted transfers from prior year's reserves and reduction of long-term debt. In addition, the budget expensed all tangible capital expenses rather than including amortization expense. As a result, the budget figures presented in the consolidated statements of operations and change in net financial assets represent the Financial Plan adopted by Council on February 21, 2023 and March 20, 2023 with adjustments as follows:

	Revenues	Expenses	Surplus
Council approved budget			
Operating	\$ 194,978,202	\$ 194,978,202	-
Capital	57,968,984	57,968,984	-
Total Council approved budget	252,947,186	252,947,186	-
Add:			
Amortization expense	-	33,802,748	(33,802,748)
Other	2,123,731	-	2,123,731
Less:			
Transfers from reserve funds	(49,738,939)	-	(49,738,939)
Transfers to reserve funds	-	(45,079,307)	45,079,307
Tangible capital assets	-	(51,446,670)	51,446,670
Debt principal repayments	-	(3,709,886)	3,709,886
Net landfill obligation accruals	-	(610,914)	610,914
Other	-	(2,816,602)	2,816,602
Adjusted budget	<u>\$ 205,331,978</u>	<u>\$ 183,086,555</u>	<u>\$ 22,245,423</u>

The 2022 budget amounts for the District approved by Council have been restated to conform to the basis of preparation of the revenues and expenses on the consolidated statement of operations.

The District Municipality of Muskoka Notes to Consolidated Financial Statements

December 31, 2022

11. Provincial Offences Administration (POA)

The Ministry of the Attorney General requires all municipal partners administering Provincial Offences Administration to disclose in the year end audited consolidated financial statements a note on the gross and net provincial offences revenues earned. The following table provides condensed financial information required by the terms in the Memorandum of Understanding (MOU) for its 2022 fiscal year with comparative figures for the year 2021:

	2022	2021
Revenue		
Court fines	\$ 899,265	\$ 950,425
Safe Restart Fund - Municipal Operating Stream	-	227,788
	899,265	1,178,213
Expenses		
Computer services	15,923	36,147
Court costs	1,762	16,132
Office expenses	136,881	117,094
Prosecution expenses	203,130	189,030
Rent	54,245	54,245
Salaries and benefits	397,872	397,251
Travel	4,355	1,710
	814,168	811,609
Surplus	\$ 85,097	\$ 366,604

The total provincial offences fine receivables of \$10,250,784 (2021 - \$9,994,568) are not included in the consolidated financial statements or the condensed financial information above. This total includes the portion that would be owed to the province.

12. Contingencies

As a part of the ongoing operations of the District, claims requesting damages are filed against the District. The ultimate outcome and/or estimate of dollar amounts of these claims are not determinable at the time of issue of these consolidated financial statements. As such no provision for these claims has been recorded in these consolidated financial statements. Any settlements, in excess of applicable insurance, would be reflected in the period in which settlements outcome becomes known with more certainty and the respective dollar amounts are more reasonably estimated.

The District has a contingent liability (on default) for the mortgages on municipal non-profit, co-operatives and not-for-profit housing corporations for which it is assigned responsibility as service manager by the Act. The amount is \$2,016,148 (2021 - \$2,353,620).

The District Municipality of Muskoka Notes to Consolidated Financial Statements

December 31, 2022

13. Post Retirement Benefits

OMERS provides pension services to more than 500,000 active and retired members and approximately 1,000 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2022. The results of this valuation disclosed total actuarial liabilities of \$130,306 million in respect of benefits accrued for service with actuarial assets at that date of \$123,628 million indicating an actuarial deficit of \$6,678 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the District does not recognize any share of the OMERS pension surplus or deficit. Contributions made by the District to OMERS for 2022 were \$3,629,703 (2021 - \$3,400,932).

The District makes contributions of 9% (2021 - 9%) of a qualifying employee's salary up to \$61,600 (2021 - \$58,700) and 14.6% (2021 - 14.6%) thereafter.

14. Trust Funds

Trust funds administered by the District for The Pines LTC residents amounting to \$12,524 (2021 - \$12,381) and Huntsville District Nursing Home residents amounts to \$55,121 (2021 - \$nil). These amount have been included in the consolidated statement of financial position.

15. Restructuring Transactions

On February 4, 2022, District Council approved a Program and Asset Transfer Agreement with the Huntsville District Nursing Home Inc. (Fairvern), with the underlying Agreement signed on May 4th, 2022, with the Asset Transfer effective June 30, 2022. Fairvern operated a nursing home in Huntsville, Ontario. Effective June 30, 2022 certain assets and liabilities of the Huntsville District Nursing Home Inc. were transferred to the District so that the District would take over the nursing home effective July 1, 2022. These consolidated financial statements include the transferred assets and liabilities as well as all revenues and expenses of this nursing home from July 1, 2022 to December 31, 2022.

In accordance with PS 3430 Restructuring Transactions of the Canadian public sector accounting standards, the impact of this transaction on these consolidated financial statements on June 30, 2022 was as follows:

Increase in financial assets	\$	1,972,701
Increase in liabilities	\$	1,484,979
Increase in net financial assets	\$	487,722
Increase in non-financial assets	\$	427,040
Revenue recognized on this transaction	\$	914,762

The District Municipality of Muskoka Notes to Consolidated Financial Statements

December 31, 2022

16. Segmented Information

The District Municipality of Muskoka is an upper-tier municipal government institution that provides a wide range of services to its citizens. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

General government

General government revenues and expenses are related to the governance and operations of the District itself and cannot be directly attributed to another specific segment.

Protection to persons and property

Protection provides policing, POA court administration and the emergency management program.

Transportation services

Transportation services administer, upgrade, maintain and plan for future requirements for the District road system and the operation of the Muskoka Airport and Port Carling locks.

Environmental services

Environmental services consist of waste management for the District and the operations of the water and wastewater systems in the urban areas of Muskoka.

Health services

Health services include the cost of the provision of public health services through the Simcoe Muskoka District Health Unit, land ambulance services, hospital capital grants and administration of health link programming.

The District Municipality of Muskoka Notes to Consolidated Financial Statements

December 31, 2022

16. Segmented Information (continued)

Social and family services

Community services administer and deliver community services for the District including the Ontario Works program, various children's services, homelessness prevention programs, assistance to elderly persons and physically disabled adults and two long-term care facilities.

Social housing services

Housing services administer and deliver housing services for the District, including maintaining the centralized waiting list for subsidized housing, managing and operating the District owned properties, administering the rent supplement program and funding and administering the non-profit, co-operative, municipal and federal housing programs in the District.

Planning and development services

Planning and development services include responsibility for the District Official Plan and for the economic development services for the District.

Allocation methods

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Amounts that are not directly attributable to one segment have been allocated as described below:

- a) Requisition of Area Municipalities (Taxation) have been allocated by percentage based on the approved budget for each segment. There is an allocation of the general levy as well as specific levies for wastewater, water and solid waste. The levies for wastewater, water and solid waste are included under Environment. The health services levy and hospital financing levy are included under the Health segment
- b) Interdepartmental charges are calculated based on estimates of support costs for services to other departments for services such as accounting and based on actual services rendered for services like fleet and communications.

The District Municipality of Muskoka
Notes to Consolidated Financial Statements

December 31, 2022

16. Segmented Information (continued)

For the year ended December 31	General Government	Protection	Transportation	Environmental	Health	Social and services	Social Housing	Planning	2022 Total
Revenue									
Requisition on area municipalities		\$ 9,654,153	\$15,622,212	\$32,234,364	\$30,327,549	\$ 9,143,965	\$ 9,969,413	\$ 3,363,990	\$ 2,206,927
User charges	1,368,830	180,167	2,972,088	24,373,667	231,369	5,966,303	3,142,772	72,351	38,307,547
Government transfers	238,300	224,723	-	2,399,603	7,297,909	37,728,987	720,551	2,728,945	51,339,018
Investment income	2,009,438	-	819,714	943,047	441,364	438,488	148,935	17,360	4,818,346
Federal gas tax	-	-	-	433,758	-	-	-	-	433,758
Provincial gas tax	-	-	-	-	-	42,698	-	-	42,698
Ontario Community Infrastructure Fund	80,000	-	-	662,187	-	-	-	-	742,187
Developer charges	-	-	1,922,277	2,578,213	-	-	-	-	4,500,490
Provincial Offences Act	-	899,265	-	-	-	-	-	-	899,265
Other	8,739	-	7,772,815	1,449,543	7,500	1,062,657	-	-	10,301,254
Gain (loss) on disposal of tangible capital assets	71,774	-	(50,469)	(81,509)	-	(19,101)	-	-	(79,305)
	13,431,234	16,926,367	45,670,789	63,086,058	17,122,107	55,189,445	7,376,248	5,025,583	223,827,831
Expenses									
Salaries and benefits	8,512,849	615,833	2,763,024	8,493,788	11,803,681	24,845,678	963,590	1,612,603	59,611,046
Materials	2,456,022	40,785	3,539,453	5,456,697	951,360	3,177,719	1,551,664	31,372	17,205,072
Contracted services	5,553,152	15,904,541	16,033,622	17,039,004	659,965	9,309,829	3,066,471	2,785,532	70,352,116
Financial	157,560	28,218	23,023	95,424	504,244	331,569	124,464	-	1,264,502
Transfers to others	58,160	18,917	2,000	87,751	1,611,084	11,446,422	851,114	340,945	14,416,393
Debt services	-	-	-	1,644,500	-	103,476	43,131	-	1,791,107
Amortization of tangible capital assets	1,913,042	-	13,378,711	14,907,554	456,833	1,229,275	644,259	13,819	32,543,493
Interdepartmental charges	(8,254,988)	290,802	1,295,202	4,304,897	494,983	1,423,893	199,554	245,657	-
Changes in future liabilities	-	-	-	3,308,181	-	-	-	-	3,308,181
	10,395,797	16,899,096	37,035,035	55,337,796	16,482,150	51,867,861	7,444,247	5,029,928	200,491,910
Annual surplus	\$ 3,035,437	\$ 27,271	\$ 8,635,754	\$ 7,748,262	\$ 639,957	\$ 3,321,584	\$ (67,999)	\$ (4,345)	\$23,335,921

The District Municipality of Muskoka
Notes to Consolidated Financial Statements

December 31, 2022

16. Segmented Information (continued)

For the year ended December 31	General Government	Protection	Transportation	Environmental	Health	Social and family services	Social Housing	Planning	2021 Total
Revenue									
Requisition on area municipalities		\$10,347,204	\$15,616,838	\$31,148,312	\$29,180,665	\$ 8,503,696	\$ 8,738,837	\$ 3,045,653	\$ 2,048,886
User charges	1,225,201	218,173	1,898,954	23,845,490	8,825	5,462,092	3,000,406	58,904	35,718,045
Government transfers	688,906	492,226	57,557	1,615,541	7,431,034	30,632,938	706,453	878,726	42,503,381
Investment income	2,596,716	-	1,988,170	1,876,541	251,060	361,922	222,207	11,260	7,307,876
Federal gas tax	-	-	-	1,894,021	-	-	-	-	1,894,021
Provincial gas tax	-	-	31,542	-	-	-	-	-	31,542
Ontario Community Infrastructure Fund	-	-	-	708,831	-	-	-	-	708,831
Developer charges	-	-	1,466,523	4,943,169	-	-	-	-	6,409,692
Provincial Offences Act	-	950,425	-	-	-	-	-	-	950,425
Other	262,913	-	5,556,750	4,765,081	-	10,677	-	-	10,595,421
Gain (loss) on disposal of tangible capital assets	46,438	-	(4,525)	(26,238)	7,667	(46,250)	-	-	(22,908)
	15,167,378	17,277,662	42,143,283	68,803,101	16,202,282	45,160,216	6,974,719	2,997,776	214,726,417
Expenses									
Salaries and benefits	7,914,629	591,447	2,532,851	8,070,513	11,506,430	19,177,298	883,673	1,530,898	52,207,739
Materials	1,911,871	103,861	2,162,785	5,594,456	813,450	2,376,567	1,510,378	30,450	14,503,818
Contracted services	5,451,215	15,837,000	12,116,683	19,383,201	476,408	6,722,268	2,167,766	568,799	62,723,340
Financial	154,642	49,976	15,432	62,234	502,476	348,307	64,529	-	1,197,596
Transfers to others	172,785	18,895	2,000	79,108	1,535,868	9,415,412	836,954	334,945	12,395,967
Debt services	-	-	-	1,913,023	-	145,262	50,040	-	2,108,325
Amortization of tangible capital assets	1,685,570	-	13,234,525	14,571,998	438,431	1,059,888	833,120	13,819	31,837,351
Interdepartmental charges	(7,202,506)	286,111	1,086,006	3,626,880	434,964	1,272,987	258,386	237,172	-
Changes in future liabilities	-	-	-	(1,912,431)	-	-	-	-	(1,912,431)
	10,088,206	16,887,290	31,150,282	51,388,982	15,708,027	40,517,989	6,604,846	2,716,083	175,061,705
Annual surplus	\$ 5,079,172	\$ 390,372	\$10,993,001	\$17,414,119	\$ 494,255	\$ 4,642,227	\$ 369,873	\$ 281,693	\$39,664,712